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COTTON CROP INSURANCE, 1948
Summary of Major Program Provisions

1. Plans of Insurance

Two plans of insurance are offered. They are: (1) Yield insurance with fixed price for payment of premiums and indemnities. Fixed price is 90% of July market average for applicable grade and staple, with differentials. (2) Second plan is dollar coverage insurance with dollar premium rate. In determining loss, if any, production will be valued at 27 cents per pound (approximately 90% of October 15, 1947 parity). This price will apply in all counties with no adjustment for grade and staple or location.

There are 50 counties with the yield insurance program and 16 counties with the dollar coverage program. A list of counties in which each program will be operated is included as the last part of this summary.

2. Level of Insurance

- a. The yield insurance program will provide one level of insurance only which will not exceed the investment in the crop for the general area and will be about 60% insurance. The highest level and the lowest level together with separate cottonseed insurance which were offered in 1947 are discontinued for 1948.
- b. The dollar coverage program will provide one general low level of insurance which will approximate the out-of-pocket cost of producing the crop in the area.
- c. Partial insurance protection will be available under both plans of cotton crop insurance, with only one fractional part (one-half) of the maximum protection available. The insured may change from or to partial insurance by filing written notice with the Corporation on or before December 31 preceding the year to which the change will apply. Such notice is subject to Corporation approval.

3. Establishing Coverage and Rates

- a. Area coverage to be used in all dollar coverage counties. The coverage established will be a flat dollar amount for all farms in wide areas which may include the entire county. However, in counties where there are definite areas with respect to productivity, costs of production and loss risks, varying amounts of coverage will be established for such areas.
- b. The yield program likewise provides for coverages by areas with the same coverage applying to all insurable land within the area.
- c. Premium rates under both programs will be established as a flat amount for a county or area, with an increase in such rates for areas or farms for additional risk of loss involved.

4. Progressive Coverage and Appraisal

- a. Both plans of cotton crop insurance provide for progressive coverage as in the 1947 program. The percentage of the maximum coverage applicable in the various stages are first stage 25%; second stage 40%; third stage 75%; and fourth stage 100%. These amounts of coverage will be expressed in pounds or dollars as applicable for the two programs, and not in terms of percentages.
- b. There will be no appraisal for acreage released by the Corporation in the first stage of production. The appraisal for acreage released in the second stage of production will be the amount by which the production which could be expected from such acreage (if it were carried to harvest) exceeds the amount of insurance for such acreage in the second stage of production. For acreage released in the third stage of production, the actual amount of any appraisal will be counted.

5. Insured Acreage

- a. Under both programs the contract will cover all insurable acreage (acreage for which coverages are established) in the county in which the insured has an interest except (1) acreage which is not replanted before it is too late to replant, (2) acreage planted to cotton following a small grain which reaches the heading stage, (3) new ground acreage, or newly leveled acreage in irrigated areas, and (4) acreage initially planted too late.
- b. In six counties the Corporation is experimenting with obtaining a planting intention report at the time the application for insurance is filed. The information on this report may be changed later, within a prescribed period, to reflect the actual conditions after planting.

6. Insurance Unit

An insurance unit includes all insurable acreage located in the county which is under the same ownership and which is operated by one person and in which the insured has an interest at the time of planting. Insurance units are not limited to farm boundaries as was the practice in 1947. This will result in larger insurance units for owner operators wherein they operate two or more farms. Likewise insurance units for sharecroppers will be larger in cases where they plant cotton on two or more farms owned and operated by one individual.

7. Term of Contract

- a. Yield insurance will be offered under a continuous contract with a cancellation clause which provides that the insured or the Corporation may cancel the contract on or before December 31 of any year, with the further provision that if the insured so cancels, he shall not be eligible for insurance for the next succeeding crop year unless he submits a new application on or before the date for cancellation. Proration provisions of the Act beginning in 1950 are not included in the continuous contract.

- b. Dollar insurance program will be offered under an annual contract because of the experimental nature of the program.
- c. All 1947 cotton insurance contracts in the 56 cotton counties will be canceled for 1948. Considerable thought was given to determining the most satisfactory plan for canceling contracts in view of the desirability of rewriting as much of the 1947 business for 1948 as possible.

A plan has been adopted whereby the 1947 contract holders will be written a letter at the beginning of the sales campaign, (1) telling them of the changes in the program, (2) urging them to sign a 1948 application, and (3) informing them that if a new application is not filed the 1947 contract will be canceled. The actual cancelation of 1947 contracts will be approximately two weeks prior to the applicable closing date by a letter from the Manager which will be mailed from the Branch Office.

8. Insurance Period

Insurance on the crop begins when the crop is planted and ends upon removal from the field or upon being housed (Pursuant to Sec. 508(a) of the Crop Insurance Act).

9. Premiums

- a. Minimum premium provision discontinued under both plans of insurance. Reduction in premium for large acreage has been adopted. The reduction is 1 percent on an insured acreage of not less than 25 and not greater than 74.9 acres and an additional 1 percent for each additional 50 acres or fraction thereof. The maximum reduction will be 20% which will apply where the insured acreage is 1000 acres or more.
- b. Maturity dates and interest—three maturity dates: August 10, August 31, and September 30 adopted for cotton counties with most of the counties falling under the August 31 date. A change was adopted in method of computing interest on premiums whereby a 3 percent penalty on any unpaid amount will accrue on January 1, and 3 percent additional on amounts remaining unpaid at the end of each six-month period thereafter.

10. Notice of Loss

Both programs include a requirement that the insured shall notify the Corporation immediately after harvest of any loss sustained under the contract and a further provision that if such notice is not given within 15 days after harvest, the Corporation reserves the right to reject any claim for indemnity. This notice is in addition to the notice of damage or probable loss filed by a producer at the time of damage to his crop.

1948 COTTON INSURANCE CONTRACT AND THE SUGGESTION
FOR YIELD AND DOLLAR COVERAGE PROGRAMS

<u>State</u>	<u>Counties Offering Yield Program</u>	<u>Counties Offering Dollar Coverage Program</u>
Alabama	Dekalb Houston Madison Pike Tuscaloosa	None
Arizona	Pinal	None
Arkansas	Chicot Crittenden Faulkner Hempstead	Jesha Lawrence Lee
California	Tulare	Fresno
Georgia	Burke Dooly Jackson	Carroll
Louisiana	Bienville Caido Natchitoches Richland	None
Mississippi	Covington Holmes Lee Quitman Washington	Tallahatchie Winston
Missouri	None	New Madrid
New Mexico	Chaves	None
North Carolina	Cleveland	Mecklenburg
Oklahoma	Bryan Hughes	Grady
South Carolina	Anderson Greenville Orangeburg	None
Tennessee	Lauderdale	McNairy

<u>State</u>	<u>Counties Offering Yield Program</u>	<u>Counties Offering Dollar Coverage Program</u>
Texas	Anderson Collin Dallas Hill Huecos Red River Reeves Rusk Williamson	Cameron Jones Knox Lubbock McLennan

